

# **AMADOR COUNTY ASSESSMENT PRACTICES SURVEY**

**MAY 2001**

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May 10, 2001

TO COUNTY ASSESSORS:

2001/029

### AMADOR COUNTY ASSESSMENT PRACTICES SURVEY

A copy of the Amador County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Raymond Olivarria, Amador County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations therein. The report, and the county assessor's response, constitute the final survey report which, pursuant to Government Code section 15646, is distributed to the Governor, the Attorney General, the State Legislature, and the Amador County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The BOE's County Property Tax Division performed the fieldwork for this survey of the Amador County Assessor's Office during November and December 1999. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Mr. Olivarria and his staff for their cooperation and patience during this assessment practices survey. These survey reports give the government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and/or suggestions for improvement with us.

Sincerely,

Richard C. Johnson  
Deputy Director  
Property Taxes Department

RCJ:jm  
Enclosure

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## INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Amador County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports.

The assessor is required by law to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and to the Amador County grand jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Raymond Olivarría, Amador County Assessor, elected to file his initial response prior to the publication of our survey; that response is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

## SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, Revenue and Taxation Code section 75.60<sup>1</sup> requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Amador County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Amador County with information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined by Property Tax Rule 371.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

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<sup>1</sup> All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

## EXECUTIVE SUMMARY

This report presents recommendations for improvement and also attempts to identify those program elements that are particularly effective. It also describes areas of improvement since our last assessment practices survey, and it acknowledges the implementation of previous recommendations.

- In our prior survey we made nine recommendations. The assessor fully implemented four of the recommended changes and partially implemented two. We repeat the three that were not implemented.
- We found no problems in the assessor's administration of assessment appeals and welfare exemptions.
- The assessor does not enroll escape assessments in the manner prescribed by statute.
- Disaster relief recipients are not sent the statutorily required notice.
- The assessor exempts certain properties below a value threshold without the required authority.
- Improvement is needed in processing legal entity changes in ownership.
- Additional work is required in the discovery and assessment of new construction.
- We found several problems with the assessor's possessory interest program. Airport hangar possessory interest assessments are not enrolled at the lesser of their factored base year value or market value. Terms of possession used for valuing employee housing at a correctional facility are not appropriate. The assessor does not revalue certain possessory interests at the end of their reasonably anticipated terms of possession. Also, discovery of taxable possessory interests should be expanded to include fairground users.
- The assessor is not assessing all taxable government-owned properties; he should conduct an examination of all nonassessed government-owned properties.
- Information on income from compatible uses on timberland production zone lands is not obtained. Questionnaires should be sent periodically.
- When valuing properties under California Land Conservation Act contract, market rents are not adjusted for income attributable to irrigation improvements; this may result in double assessments. Caretaker sites and farm laborer housing are being valued at the restricted value, a practice that does not comply with statute. Water wells are being improperly assessed as improvements.

- Written procedures for the coordination of leasehold improvement assessments should be implemented.
- The assessor has an effective audit program, which includes mandatory and nonmandatory accounts.
- The assessor's procedure of using arbitrary minimum valuation factors for equipment is not an acceptable appraisal practice. With this exception, business property appraisals are made using the BOE's recommended factors.
- Generally, property statements are processed correctly. However, the assessor accepts incomplete property statements and property statements with unauthorized signatures.
- The assessor improperly exempts vessels valued between \$400 and \$1,000 and the assessed value of taxable vessels does not include a sales tax component. Except for these deficiencies, pleasure boats are properly assessed at market value using published valuation guides.
- Most general aircraft are valued properly using the *Aircraft Bluebook Digest*. For aircraft not listed in this publication, *Trade-A-Plane* is used. We recommend use of the *Vref Aircraft Value Reference* as an alternate source.
- The assessor should discontinue exempting aircraft of historical significance when the exemption claim is not filed timely.
- Manufactured homes are improperly classified as improvements. In addition, the assessor failed to enroll the market values of manufactured homes when those values were lower than the factored base year values.
- Despite the problems noted above, we found no significant assessment problems—as defined in Property Tax Rule 371. Accordingly, pursuant to section 75.60, Amador County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

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## **RESULTS OF THE 1994 SURVEY**

### ***Change in Ownership***

When assessees indicated a change in ownership on Part I of the business property statement, we found that the assessor's business property section did not notify the real property section. We recommended the assessor create and implement written procedures for the assessment and documentation of legal entity ownership changes. We found the assessor has implemented this recommendation.

### ***New Construction***

We recommended the assessor develop and implement written procedures concerning the discovery and appraisal of new construction. Non-compliance issues found during the sampling process formed the basis for this recommendation; the sample discovered a significant amount of new construction escaping assessment. Deficiencies were largely due to inadequate field review and inconsistent use of owner-reported costs and published cost guides. The assessor has not implemented this recommendation.

### ***Disaster Relief***

We found that the assessor failed to enroll increases in living area of replacement properties as new construction. We recommended that he revise procedures for enrolling the value of repaired or restored improvements following disaster relief. The assessor implemented training to address this issue.

### ***Taxable Government-Owned Property***

We found that 13 taxable government-owned parcels had escaped assessment. We recommended the assessor research, appraise, and enroll properties owned by government agencies outside their boundaries. The assessor assigned the cadastral mapper to identify those parcels. However, we found that additional work is necessary to resolve this problem.

### ***California Land Conservation Act Properties***

In the appraisal of California Land Conservation Act properties, we recommended the assessor adjust gross rents by an appropriate amount for income attributable to irrigation improvements. The assessor has not implemented this procedure.

### ***Leasehold Improvements***

To improve the assessment coordination of leasehold improvements, we recommended the assessor create a written procedure for that task. No written guidelines have been implemented.

***Audit Program***

We recommended the assessor bring the mandatory audit program to current status and obtain a signed waiver of the statute of limitations when a mandatory audit will not be completed on time. We found that the assessor is now current in his mandatory audits and that he obtains waivers to prevent the statute of limitations from barring escape assessments.

***Manufactured Homes***

We found that the assessor did not have any written procedures for assessing manufactured homes. We recommended the assessor develop and implement written procedures to improve his manufactured home assessment program. The assessor has complied with this recommendation.

## OVERVIEW OF AMADOR COUNTY

Amador County is located in the central Sierra Nevada foothill region of California. It shares common borders with the counties of El Dorado to the north, Alpine to the east, Calaveras to the south, and Sacramento and San Joaquin to the west. Amador County's population is approximately 33,700.<sup>2</sup> There are five incorporated cities in Amador County: Jackson (the county seat), Amador City, Plymouth, Sutter Creek, and Ione.

Unlike many counties that suffered major budget cuts in prior years, the assessor's staffing level has remained stable during the fiscal years 1995-1996 to 1997-1998. The assessor's budget increased 15.5 percent during this three-year period. For the fiscal year 1998-99, the assessor's office prepared an assessment roll containing 23,771 assessments on an adopted budget of \$547,960.

The Amador County local assessment roll is one of the smallest of the 58 county assessment rolls in California, both in its total assessed value and number of assessments on the roll. Although the total number of assessments has been relatively stable for several years, the total assessed roll value has steadily increased by an annual average of 3 percent over the last three years.

The following chart displays pertinent information from the 1998-99 assessment roll. The information was provided by the assessor's office. Information from the 1999-2000 assessment roll was unavailable due to the assessor's conversion to a new computer system.

<u>Property Type</u>	<u>Number of Assessments in County</u>	<u>Roll Value</u>
Residential	18,650	
Miscellaneous	605	
Rural	1,218	
Commercial	771	
Industrial	84	
Total Secured Roll	21,328	\$2,219,589,000
Total Unsecured Roll	2,443	75,792,000
Total Roll	23,771	\$2,295,381,000

<sup>2</sup> Supplied by Demographic Research Unit of the California Department of Finance. Figure as of 1/1/98.

## ADMINISTRATION

### ***Quality Control***

Written valuation and review procedures are important components of an internal control system; they promote uniformity and accurate assessments. We found that the assessor does not have written procedures for the valuation of specific types of property, nor formal procedures for the appraisal review process.

The chief appraiser, who oversees three real property appraisers, one auditor-appraiser, and a cadastral mapper, is responsible for quality control. The chief appraiser reviews all real property appraisals. Such reviews consist of checking mathematical accuracy and verifying that proper documentation is included, as well as an explanation of the value conclusion.

Appraisers do not key values into the assessment database. Instead, appraisers note values on appraisal records, and an assessment technician keys the data into the database. A report listing all parcels experiencing a value change is generated biweekly for management review.

At present, quality control appears to be adequate. However, part of this success is attributable to a relatively experienced staff. In the event of staff turnover, written policies and procedures would be beneficial. Therefore, we encourage the assessor to develop a policies and procedures manual for the assessment and review of all property types.

### ***Assessment Roll Change Procedures***

The assessor is required to complete the local assessment roll on or before July 1 each year and deliver it to the auditor. After delivery of the roll to the auditor, the assessor cannot change an assessment unless authorized by statute or the board of supervisors and county counsel.

Sections 531 through 538 describe roll changes authorized as a result of properties escaping assessment. Sections 4831 through 4925 contain the provisions for corrections of assessment errors.

Escape assessments are assessments made after the assessor has certified the completed roll and delivered it to the auditor. Upon discovery of property escaping assessment, the assessor must immediately add the escape assessment and any applicable penalty to the assessment roll.

**RECOMMENDATION 1:** Enroll escape assessments in the manner prescribed by section 533.

The assessor does not enter escape assessments—or the required captions listing the code sections that require the escape assessments—on the assessment roll. Instead, the assessor prepares escape assessment worksheets that are sent to the tax collector. Upon receipt of an

escape assessment worksheet, tax collector bills the taxes due on that escape assessment without placing that information or the required caption on the assessment roll.

Section 533 requires an escape assessment to be entered on the assessment roll. The entry must include this caption:

“Escaped assessment for \_\_\_\_ pursuant to Sections \_\_\_\_ of the Revenue and Taxation Code.”

Additionally, citing the proper code section is important as it directly impacts the addition of interest on the tax resulting from the escape assessment.

We recommend the assessor comply with statutory provisions by entering escape assessments and the proper caption on the assessment roll.

**RECOMMENDATION 2:** Notify the auditor-controller when interest should be added to an escape assessment.

We also found that interest is not being charged on escape business property assessments as required by section 506.

Certain types of escape assessments are subject to the interest imposed by section 506. Escapes requiring the addition of interest are: failure to file a required property statement (sections 531 and 441), incorrectly allowed exemptions (section 531.1), failure to report the cost of personal property where the assessor has required a statement (section 531.3), inaccurate reporting on the property statement or form (section 531.4), incorrectly allowed business inventory exemption (section 531.5), and incorrectly granted homeowners’ property tax exemption (section 531.6).

We recommend the assessor identify roll changes subject to interest as required by section 506.

### ***Assessment Appeals***

Section 16 of article XIII of the California Constitution provides for the establishment of county boards of equalization and authorizes the Legislature to establish the composition of the county boards of equalization. Article XIII, section 16, provides that “the county board of supervisors or one or more assessment appeals boards . . . shall constitute the county board of equalization for a county.” Sections 1601 through 1645.5 provide statutory guidance for the assessment appeal process.

In Amador County, the elected board of supervisors serves as the county board of equalization. We found that the assessor and the county board of equalization work closely together to ensure that all appeals are heard timely. During the 1998-99 fiscal year, 46 assessment appeals were resolved:

<u>Type of Resolution</u>	<u>Number of Applications</u>
Applications Withdrawn	12
Stipulation	5
Assessment Reduced at AAB Hearing	20
Assessment Sustained at AAB Hearing	5
Applicant Did Not Appear at AAB Hearing	1

The assessor considers assessment appeals to be an important aspect of assessment administration and has developed an effective program for preparing and presenting those appeals. We found no problems with the assessment appeals program.

### ***Disaster Relief***

Section 170 authorizes a county board of supervisors to adopt an ordinance granting tax relief to assesseees whose property has been damaged or destroyed by misfortune or calamity. To be eligible for relief, the property must suffer a loss in market value of a least \$5,000. In 1982, the board of supervisors adopted an ordinance to grant tax relief under the provisions of section 170.<sup>3</sup>

Section 170(c) requires the assessor to notify applicants, in writing, of the amount of their proposed reassessments. The notice shall state that the applicant may appeal the proposed reassessment within 14 days of the date of mailing the notice.

**RECOMMENDATION 3:** Notify disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170.

The assessor's procedures manual provides that the chief appraiser will notify the property owner of the amount of the proposed reassessment. However, we found that the assessor does not notify applicants of proposed reassessments. As a result, property owners do not learn of their opportunity to appeal the reduced values.

We recommend that the assessor provide written notification of the amount of the proposed reassessment, including a statement that the applicant can appeal the proposed assessment to the local board of equalization within 14 days of the date of mailing the notice.

### ***Low-Value Property Exemption***

Section 155.20 authorizes the county board of supervisors to exempt from property taxation all real property with a base year value, and personal property with a full value so low that, if not exempt, the total amount collected in taxes, special assessments, and applicable subventions on

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<sup>3</sup> Ordinance 880, restated in Chapter 3.24 of the Amador County Municipal Code.

the property would amount to less than the cost of assessing and collecting them. Section 155.20 provides that the applicable base year value or full value to be exempted may not exceed \$5,000, except for certain taxable possessory interests. The board of supervisors has not adopted a resolution to exempt low-value property. Further, section 228 requires assessors to assess all boats with a market value above \$400.

**RECOMMENDATION 4:** Assess all low-value properties, unless the board of supervisors authorizes a low-value property exemption.

We found that the assessor does not enroll vessels with a value of less than \$1,000, or other unsecured roll accounts if the value is less than \$500. Although the assessor's procedures manual directs staff not to assess boats with a value under \$500, the assessor's actual practice exempts vessels below \$1,000.

Absent a formal action from the board of supervisors exempting low-value property, the assessor has no authority to exempt such property. We recommend the assessor enroll all low-value property unless the board of supervisors adopts a low-value property exemption ordinance.

### ***Welfare, Church and Religious Exemption***

Article XIII, section 3(f) of the California Constitution exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship. Article XIII, section 4(b) also permits the exemption of property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by a nonprofit organization organized and operated for those purposes.

#### **Welfare Exemption**

The welfare exemption may be claimed on property owned and operated by community chests, funds, foundations, or corporations organized for and used exclusively for religious, hospital, scientific, or charitable purposes. The welfare exemption is co-administered by the BOE and county assessors. Annual filing of the exemption claim is required, along with approval by both the BOE and the county assessor.

We found the assessor is properly processing welfare exemption claims. Claim forms, with accompanying attachments, are forwarded to the BOE. The assessor is exempting all properties, including parsonages, deemed to qualify by the BOE for the welfare exemption.

#### **Church and Religious Exemptions**

The county assessor administers the church and religious exemptions. The church exemption may be claimed on property owned, leased, or rented by a religious organization and used exclusively for religious worship services. The religious exemption may be claimed on property owned by a religious organization and used exclusively for religious worship or religious worship and preschool, nursery school, or parochial school activities.



For the 1999-2000 assessment roll, the assessor processed one church exemption and 33 religious exemptions. We found that claims for the church and religious exemptions are properly processed.

## **ASSESSMENT OF REAL PROPERTY**

The assessor's real property assessment program includes: (1) revaluation of properties that have changed ownership, (2) valuation of assessable new construction, (3) annual review of properties having market values below their factored base year values, and (4) annual review of certain properties subject to special assessment provisions.

Article XIII A of the California Constitution requires real property to be assessed at the lower of its current market value or factored base year value. The assessed value on the 1975 lien date or a value that results from a change in ownership or new construction is referred to as a property's base year value. The base year value is factored each year to reflect inflation as measured by the California Consumer Price Index (CCPI); however, the inflation factor cannot exceed 2 percent per year. This indexed value is known as the factored base year value.

### ***Change in Ownership***

Section 50 requires the assessor to reappraise real property upon a change in ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. Sections 62 through 69.5 exclude certain transfers from the definition of change in ownership. Exclusions include, but are not limited to, interspousal transfers, transfers between parents and their children, and acquisition of replacement properties for properties taken by eminent domain.

The Amador County Recorder is the main source of information for the assessor's discovery of changes in ownership. The recorder sends the assessor a copy of the deeds for all transfers. For calendar year 1998, approximately 1,200 out of 2,500 recorded deeds qualified as reappraisable changes in ownership.

We found that the assessor properly processes change in ownership appraisals. However, we did find deficiencies in the area of quarterly reporting to the BOE and processing legal entity ownership program notifications.

Sections 63.1 and 69.5 exclude certain transfers from the definition of change in ownership. Sections 63.1(f) and 69.5(b)(7) require the assessor to file quarterly reports with the BOE containing information from the claims filed pursuant to those sections.

We found that, as of the date of fieldwork, the assessor had failed to notify BOE of one exclusion granted during calendar year 1998. Reporting such exclusions permits the BOE to track those exclusions. Should the assessor fail to report an exclusion, property owners could receive improperly receive a subsequent exclusion.

We urge the assessor to file quarterly reports listing all purchases or transfers for which exclusion claims have been allowed. We also encourage the assessor to maintain a log of notifications to BOE, to validate that the assessor has fulfilled reporting requirements.

### Legal Entity Ownership Program

Section 64(c) provides that a change in control of any legal entity is a change in ownership of all real property owned by that legal entity, as of the date of the change in control. Upon a change in control, the real property owned by the legal entity is subject to reappraisal. The Policy, Planning, and Standards Division of the BOE's Property Taxes Department operates the Legal Entity Ownership Program (LEOP) to discover and track such changes in control.

Each reported change in control is investigated and verified by the LEOP staff. The LEOP unit transmits a list to each county, indicating the date of each change in control and the affected parcels within that county.

The workload generated by changes in control of legal entities that own or lease property in Amador County is minimal. During the last five years, only seven entities with property located in Amador County have undergone a change in control. As a result, the assessor's procedures for handling these changes in ownership are very basic. When the assessor receives a list of entities that have undergone a change in control, the list is placed in the LEOP file to be processed by the chief appraiser.

We reviewed the appraisal records of properties owned by four corporations that had experienced changes in control. Generally, LEOP notifications are processed properly; however, in one case, the assessor failed to revalue the property after a change in control.

We suggest that the assessor develop a formal procedure to ensure reappraisal of all real property reported by LEOP as changing ownership.

### ***New Construction***

Section 71 requires assessors to establish base year values for newly constructed real property as of the date of completion. If the new construction is partially complete on the lien date, the assessor must add a value to the roll representing the new construction in its partially completed state.

The assessor discovers new construction activity from building permits issued by the seven permit-issuing agencies in Amador County.<sup>4</sup> Upon receipt, the assessor records all permits on a log and mails new construction questionnaires to the owners. In reviewing the construction activity, the appraiser notes the permit on the property record, determines whether or not the construction qualifies for reassessment, and revalues the property if needed.

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<sup>4</sup> Permit-issuing agencies include the county building department, the county housing and community development department, and the building departments for the five incorporated cities in the county.

**RECOMMENDATION 5:** Develop and implement written procedures for discovering and appraising new construction.

In our prior survey, we recommended the assessor develop and implement written procedures for discovering and appraising new construction. The assessor's response indicated that the procedures manual would be updated to include written procedures for discovering and appraising new construction. Although we found that the assessor has not developed such written procedures, the assessor's staff correctly processes most new construction.

However, when examining new construction appraisals, we found some errors that show implementation of the prior recommendation would still benefit the assessor's operation. Examples of these errors include: adding grading to the cost estimate for improvements; factoring a construction in progress value by the CCPI, instead of an annual review; and a failure to assess air conditioning, fireplace, and driveway new construction.

We again recommend the assessor develop written procedures for the discovery and assessment of new construction. Written procedures will promote accurate assessment and improve the assessor's new construction program.

### ***Supplemental Assessments***

Sections 75, et seq., require the assessor to appraise property at its full cash value on the date the property changed ownership or upon completion of new construction, and issue a supplemental assessment. The increase or decrease in assessed value resulting from a change in ownership or new construction is reflected in a prorated assessment that covers the portion of the fiscal year remaining after the date of change in ownership or new construction (the supplemental assessment).

The assessor processed approximately 1,540 supplemental assessments for the 1998-99 assessment roll year. Supplemental assessments are enrolled regardless of value. The supplemental assessments we reviewed were accurate and were processed timely. However, our review disclosed that the assessor does not issue supplemental assessments for possessory interests on the unsecured roll.

**RECOMMENDATION 6:** Issue supplemental assessments for possessory interests on the unsecured roll.

Section 75.14 provides that all property subject to the assessment limitations of article XIII A shall be subject to supplemental assessments, except as otherwise provided in article 2. At the time of our survey there was no statutory provision exempting possessory interests from supplemental assessments. Therefore, we recommend that the assessor comply with statutory provisions by issuing supplemental assessments for possessory interests subject to reappraisal.

***Decline in Value***

Section 51 requires the assessor to annually assess taxable real property at the lesser of its factored base year value (FBYV) or its current market value, as defined in section 110. When a property's market value declines below its FBYV, the assessor must enroll the market value as the taxable value. Once a decline in value assessment has been enrolled, a property's assessed value must be reviewed annually until the property's market value returns to the factored base year level.

There were 861 properties on the Amador County 1999-2000 assessment roll with assessed values below their FBYV. This amount represents approximately 4 percent of all properties on the secured roll. The number of properties enrolled at market value has increased by 50 percent since 1997-1998.

**RECOMMENDATION 7:** Consider tenant improvements in the appraisal unit when enrolling declines in value.

The business property division values structural tenant improvements by adjusting the base year value, based on costs reported on Schedule B of the property statement, by the CCPI. The value for those leasehold improvements is then added to the improvement value determined by the assessor's real property section. We found no documentation disclosing that the assessor considered the market value of those leasehold improvements when measuring declines in value. In two cases, the current market value of the land and improvements, excluding leasehold improvements and fixtures, was enrolled, since the assessor determined that FBYV exceeded market value. Subsequently, the FBYV of structural tenant improvements—from the business property statement—was added to the improvement value and enrolled.

Property Tax Rule 461(e) provides that declines in value shall be determined by comparing the market value to the FBYV of the same appraisal unit. Normally, land and improvements constitute the appraisal unit. When measuring declines in value caused by a disaster, subdivision (e) provides an exception; land and improvements constitute separate appraisal units.

The assessor should discontinue adding the FBYV of structural tenant improvements to the market value of other improvements and land that have experienced a decline in value. We recommend the assessor compare the total FBYV to total market value of the proper appraisal unit when enrolling declines in value.

***Taxable Possessory Interests***

A taxable possessory interest is established when a private party has the exclusive right to the beneficial use of government-owned real property. Sections 107 et seq. and Property Tax Rules 20 through 28 define the requirements for possessory interest assessments. Important elements in a possessory interest assessment program are the ability to identify the government agencies granting the possessory interest, the holder of the possessory interest, the term of possession, and the economic rent.

The assessment roll contains approximately 300 possessory interests. Two-thirds of the possessory interests enrolled are on the secured roll and consist primarily of cabins on United States Forest Service land. Employee housing at Preston Correctional Youth Facility and airport hangars at Westover Field are the main possessory interests on the unsecured roll. We found that the assessor could improve his possessory interest program by undertaking frequent reviews and updates of the terms of possession, revaluing properties at the end of those terms of possession, enrolling the lower of FBV or current market value, and expanding his discovery of possessory interests.

**RECOMMENDATION 8:** Use a reasonable term of possession when estimating the value of a possessory interest.

When appraising a possessory interest, Property Tax Rule 23 states that the history of the property's use, the policy of the administering public agency, and the intent of both the agency and the possessor are among the factors the assessor should consider when estimating a reasonably anticipated term of possession.

We found that the term of possession used for the employee housing at Preston Correctional Youth Facility is longer than indicated by actual occupancies. The anticipated term of possession used to value the possessory interest in such housing is five years. However, when the 1994 tenant list was compared to the 1999 tenant list, only seven names were found on both lists. There are 32 employee housing units at the Preston facility. Thus, only about 22 percent of the tenants were there for five years, indicating a reasonable term of possession of less than five years.

While using a five-year term of possession is consistent, we found that the terms used for employee housing no longer reflect the "market" for these properties. In our opinion, applying five-year terms of possession to employee housing at Preston Correctional Youth Facility results in overassessments.

We recommend the assessor use anticipated terms of possession that reflect reasonable market expectations when appraising possessory interests.

**RECOMMENDATION 9:** Revalue possessory interests at the end of the reasonably anticipated term of possession.

Section 61(b)(2) provides that, a renewal or extension of a possessory interest does not cause a change in ownership, but it also provides that the assessor must establish a new base year value at the end of the reasonably anticipated term of possession used by the assessor to value that interest. The assessor reappraises possessory interests upon creation, a change in ownership, or a change in tenancy. However, the assessor does not reappraise a possessory interest at the end of its anticipated term of possession used in the original assessment. This results in inaccurate assessments.

We recommend the assessor establish new base year values at the end of the reasonably anticipated terms of possession.

**RECOMMENDATION 10:** Annually assess all possessory interests at the lower of current market value or factored base year value.

Section 51 requires the assessor to enroll the lower of a property's FBV or its market value on the lien date. We found that some airplane hangars and tie-downs at Westover Field were enrolled at their factored base year values; these amounts exceeded their current market values.

Each year, the assessor estimates the market value for the possessory interests in county airplane hangars and portable hangar spaces by analyzing current rental rates obtained from the airport manager. Once the assessor establishes these market value estimates, he should compare them to the property's FBV to determine proper assessment. We recommend that the assessor comply with statutory requirements by enrolling all possessory interests at the lower of the current market value or the FBV.

**RECOMMENDATION 11:** Expand the discovery process for possessory interests to include fairground vendors/concessionaires.

Primary sources for discovering possessory interests include reports from government agencies, field inspections, and recorded leases and agreements. In our prior survey, we expressed a concern about the assessor overlooking fairground facility uses and county airport tie-downs. We encouraged the assessor to expand his possessory interest discovery program.

During our current review, we found no possessory interest assessments on the 1999-2000 roll for fairground users. Additionally, we found that the assessor does not initiate any contacts to determine whether there are fairground users that might constitute assessable possessory interests.

We examined listings of fairground vendors and concessionaires. These lists indicate that taxable possessory interests may exist at those locations. For example, there are two food concessions that have been at the Amador County Fair for the last three years. Average rent payments to the fairground totaled about \$12,800 and \$10,600 each year. Additionally, there are five interim users of portions of the fairground property with average rents exceeding \$1,500. A listing provided by fairground management shows more than 200 food concessions, indoor and outdoor vendors, and interim rentals.

We recommend the assessor investigate private users of fairground facilities to discover taxable possessory interests.

### ***Taxable Government-Owned Property***

Article XIII, section 3, of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11. Section 11(a) provides that land, and the improvements thereon, located outside an agency's boundaries, are taxable if

the property was subject to taxation at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as “Section 11” properties.

The California Supreme Court held that the limitations of article XIII A of the California Constitution apply to Section 11 properties (*City and County of San Francisco v. County of San Mateo, et al.* (1995) 10 Cal. 4th 554). Prior to this decision, these lands were assessed at the lower of either their fair market value or the 1967 taxable value of the land multiplied by the factor described in section 11, as published annually by the BOE. The Court’s ruling means that such property must be assessed at the lowest of (1) the current fair market value, (2) the 1967 taxable value of land multiplied by the factor described in section 11, or (3) the factored base year value.

Most taxable government-owned property on the Amador County assessment roll is owned by East Bay Municipal Utility District (EBMUD). There are six parcels owned by other governmental entities.

The assessor discovers taxable government-owned properties by comparing a list of all government-owned properties to maps and tax-rate area information. The cadastral mapper determines which government-owned properties are located outside of the particular government agency’s boundary.

**RECOMMENDATION 12:** Enroll all taxable government-owned property.

In our prior survey we found 13 government-owned parcels, located outside their agencies’ boundaries, that escaped assessment. We recommended the assessor research these government-owned parcels to determine their taxable status. During our current survey, we found six parcels that escaped assessment. These parcels were acquired 5 to 27 years prior to the 1999 lien date, and all were taxable at the time of acquisition.

We recommend the assessor enroll all taxable government-owned property.

**RECOMMENDATION 13:** Verify that vacant section 11 land is used exclusively for school purposes before granting the public schools exemption.

Article XIII, section 3(d), exempts from taxation property used exclusively for public schools. In our review of taxable government-owned property, we found one taxable government-owned parcel that we believe was erroneously granted a public schools exemption.

The property is a vacant 6.29-acre site owned by the Alpine County Unified School District. The school district filed a claim for exemption, asserting this property was used exclusively for public school purposes. We discussed this claim with the Alpine County Superintendent of Schools. He stated that children from a school located in a nearby condominium sometimes use the land as a playground and have also used the site to take weather readings. However, this acreage is not fenced and appears to be vacant land being held as a future school site. In our opinion, this land



does not qualify for the public schools exemption and should have been taxed as section 11 property. We recommend the assessor review the public schools exemption granted to this property.

### ***Timberland Production Zone Property***

Land in a Timberland Production Zone (TPZ) can be used only for growing and harvesting timber, and for certain other compatible uses as defined by law. TPZ land is subject to assessment in accordance with the special TPZ site classifications that exclude the value of the standing timber. There were 126 parcels, totaling 27,485 acres, of TPZ land on the 1999-2000 Amador County assessment roll. All TPZ parcels are forested with mixed conifer trees.

**RECOMMENDATION 14:** Send questionnaires to owners of TPZ lands to obtain information on compatible uses.

Section 435 provides for the calculation of a restricted value for timberland using the appropriate site value plus any value attributable to existing, compatible, nonexclusive uses of the land. Uses may include, but are not limited to, hunting, grazing, camping, and mining. Timberland is assessed at the lowest of the restricted value, the current market value, or the factored base year value.

Our review disclosed that once land is zoned as TPZ and enrolled as such by the assessor, there is no contact between the assessor and owners of those TPZ parcels. After initial enrollment, the assessor performs no review to discover any compatible uses.

We recommend the assessor send income questionnaires to TPZ landowners to discover whether those owners receive income from existing, compatible uses of their property.

### ***California Land Conservation Act Property***

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their lands. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). The lands are assessed at the lowest of the restricted value, the current unrestricted market value, or the factored base year value. Sections 422 through 430.5 prescribe the guidelines for assessing lands subject to agricultural preserve contracts.

Farms and rural areas compose about 218,000 acres of Amador County. For the 1999 lien date, Amador County had approximately 93,000 acres encumbered by 339 CLCA contracts. Approximately 4,500 acres of the total restricted land was in non-renewal status.<sup>5</sup>

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<sup>5</sup> 1999 Amador County California Open Space Subvention Report and the 1998 Amador County Crop Report.

Section 423(a) sets the fundamental criteria for determination of the agricultural income to be capitalized. This section provides that the income to be capitalized is the economic net income attributable to the agricultural use of land. In determining annual net income, those expenditures that are ordinary and necessary in the production and maintenance of the revenue are to be deducted from revenues.

**RECOMMENDATION 15:** Adjust CLCA market land rents by an appropriate amount for income generated by irrigation improvements.

When using a percentage share rent, the assessor adjusts vineyard and orchard income to exclude income attributable to irrigation improvements on CLCA property. However, for irrigated pasture, there is no adjustment to the gross income for a return of and return on the irrigation improvements.

Market rents for irrigated land often include the income generated by irrigation improvements. If this income is capitalized into value, the land value estimate will include the value contribution of the irrigation improvements. If the appraiser adds an increment of value for the irrigation improvements, the improvements will be doubly assessed. To avoid a double assessment, the appraiser should deduct a charge for the income attributable to the irrigation improvements from the income stream prior to capitalizing the income into value.

We recommend the assessor review CLCA assessment policies to ensure that irrigation improvements are not double assessed.

**RECOMMENDATION 16:** Assess caretaker sites and farm laborer housing at the non-restricted homesite value.

We found that the assessor is valuing caretaker homesites on CLCA land as part of the CLCA restricted value. This practice violates section 428, which provides that residences and residential sites are not eligible for a CLCA restricted value.

Even though Government Code section 51231 specifically recognizes farm laborer housing as a compatible use for property restricted by a CLCA contract, section 428 precludes the valuation of the site as CLCA restricted property. Therefore, we recommend the assessor enroll any residential site located on a CLCA restricted property at the lower of its FBYV or fair market value.

**RECOMMENDATION 17:** Capitalize compatible use income in the manner specified for CLCA restricted properties.

Agricultural preserve property encumbered by a CLCA contract is assessed on the basis of its agricultural income producing ability, including any compatible use income.

In defining the income to be capitalized when valuing open-space properties subject to enforceable restrictions, section 423(a)(3) provides that revenue shall be the amount of money which the land can be expected to yield to an owner-operator. Although this income can be

derived from any permitted use of the land under the terms by which it is enforceably restricted, section 428 prohibits residential uses from receiving a restricted valuation. Under these provisions, and in accordance with Government Code sections 51238.1, 51238.2, and 51238.3, the assessor must assume that any use—other than a residential use—allowed by a contract approved by the county/city is a compatible use. As indicated, when income generated by this use is attributable to the land, it must be capitalized in the manner specified for restricted properties.<sup>6</sup>

We found that the assessor allocates an estimated acreage for compatible use sites, then values those sites at the FBYV or current market value, whichever is lower. In effect, the assessor treats compatible use sites as separate appraisal units, enrolling the lower of the FBYV or current market value without considering the CLCA restricted value. This procedure fails to recognize that the property is restricted under a CLCA contract.

We recommend the assessor review the total income of property restricted under a CLCA contract, including the income attributable to a compatible use site, capitalize that income to derive a CLCA restricted value, then enroll the lower of the CLCA restricted value, FBYV, or current market value.

**RECOMMENDATION 18:** Assess wells on CLCA property as land.

The assessor classifies wells on CLCA property as improvements and values them as though not restricted. Pursuant to Property Tax Rule 124, wells should be classified as land and, as such, the assessor should include wells with land when calculating the CLCA restricted value. Classification of wells as improvements results in overassessments of those wells since those assessments are not included in the CLCA restricted value.

We recommend the assessor classify wells as land and include them as part of the restricted value of CLCA property.

### ***Leasehold Improvements***

Leasehold improvements are improvements or additions to leased property made by the lessee. Section 405 allows the assessor to assess property to “the persons owning, claiming, possessing, or controlling it on the lien date.” Leasehold improvements may be assessed to either the lessor (owner) or lessee (tenant), and enrolled on either the secured or unsecured roll.

Commercial, industrial, and office properties require constant monitoring by the assessor because the initial assessed value may result from property in various stages of completion, from a shell structure to a complete and occupied building. In addition, as tenants change over a period of time, changes may be made to the original improvements (i.e., a warehouse converted to office use, additions constructed, or improvements demolished), resulting in changed assessments or assesseses.

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<sup>6</sup> See Assessors’ Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, Part II, page 13.

**RECOMMENDATION 19:** Develop and implement written procedures for the valuation and assessment of leasehold improvements.

The assessor discovers tenant improvements through building permits and property statement reporting.

In our 1994 survey report, we recommended that the assessor develop written procedures for the valuation of leasehold improvements. The assessor has not implemented this recommendation, therefore we repeat our prior recommendation.

The assessor does not have written procedures for the assessment of leasehold improvements, or for coordination of these assessments between the business property and real property divisions. In practice, some leasehold improvements are appraised by the real property division and assessed to the lessor on the secured roll, while others are valued by the business property division and assessed to the tenant on the unsecured roll.

When structural improvements are reported on the business property statement, the business property division generally values those improvements. The business property division does not notify the real property division of improvements assessed to the tenants. Although it is the assessor's practice to review real property records prior to enrolling a leasehold improvement to avoid double assessments, the real property record shows no evidence of this review. If tenant improvements are discovered through a building permit, the real property division may, in some cases, value the improvements or, in other cases, notify the business property division for assessment to the tenant.

To ensure uniform assessment of similar properties, coordination between the business property and real property divisions is essential for the assessment of leasehold improvements. Written procedures should be designed to ensure that leasehold improvements are valued at the appropriate amounts, not double assessed, and that such improvements are assessed to the proper persons or entities.

Information documenting the assessment of leasehold improvements should be recorded on both the lessor's and lessee's appraisal record. Appraisal records should indicate the manner in which the improvements were assessed (i.e., to whom assessed, listed on the secured or unsecured roll, and assessor's parcel number or business property account number). One method of tracking and monitoring leasehold improvements is by use of an inter-departmental memorandum (copies of which are retained in the lessee's and lessor's files). Appendix B of Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, discusses the use of a memorandum to transmit such information.

Developing written procedures that describe how to systematically identify and assess leasehold improvements helps promote uniform assessment. Written procedures clarify each staff member's responsibilities in the valuation process, making appraisal and record management less difficult. We recommend the assessor implement written procedures for valuing and assessing leasehold improvements.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing business personal property includes the following elements: processing annual business property statements; auditing business property statements to ensure proper reporting by assessees; annual valuation of personal property and fixtures reported on business property statements; and annual valuation of other taxable property, including vessels, aircraft, and manufactured homes.

### ***Audit Program***

Section 469 requires the assessor to audit the accounting records of assessees claiming, owning, possessing, or controlling tangible business personal property and trade fixtures with a full value of \$400,000 or more.<sup>7</sup> Property Tax Rule 192 clarifies the statute by requiring the \$400,000 full value to be reached for each of four consecutive years.

A property tax audit is a means of collecting data relevant to the determination of taxability, situs, and value of business personal property. The objective of an audit is to ensure that taxable property and related information were reported accurately by the taxpayer and the property was assessed properly by the assessor. A comprehensive audit program is essential to the successful administration of any tax program that depends on information supplied by assessees. A good audit program discourages deliberate underreporting and helps educate those property owners who unintentionally misreport.

The assessor's audit program includes the review of 51 mandatory accounts and performance of nonmandatory audits. Nonmandatory audits are not required by law, but they are authorized by section 470 and Property Tax Rule 192(e). Currently, the assessor conducts a limited number of audits on nonmandatory accounts each year. The number of nonmandatory audits performed depends on the available resources.

We found that the assessor completed all mandatory audits; and that, except for one instance, the assessor obtained signed waivers of the statute of limitations when audits would not be completed on time.

### ***Valuation of Business Property***

#### **Equipment Valuation**

Taxable values of business equipment are typically derived from historical or original costs, through the use of price indices and percent good factors.

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<sup>7</sup> The mandatory audit threshold was \$300,000 at the time of our fieldwork. It was increased to \$400,000, effective January 1, 2001.

Section 401.5 requires the BOE to issue information that will promote uniformity in appraisal practices and in assessed values throughout the state. For business personal property, the BOE specifically complies with section 401.5 by publishing Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). Price index and percent good factors are published annually for use in computing current market value estimates from acquisition costs of machinery and equipment. Accurate equipment assessments depend on the proper choice and application of these factors.

**RECOMMENDATION 20:** Use the BOE's recommended price index and percent good factors in AH 581 as intended.

The assessor uses combined valuation factors to estimate the value of business personal property. The valuation factors are the product of the price index and percent good factors. The combined valuation factor is applied directly to the historical or acquisition cost of equipment.

Although the assessor uses the BOE's price index and percent good factors, he has also established a minimum valuation factor of 10 percent or 45 percent for certain types of property, depending on the type of industry and economic life.

Index factors recognize items such as price changes and the effects of technological progress, and are intended to reflect the price of a replacement. The percent good factors are intended to reflect the average loss in value suffered by specific types of property over their expected service lives. The percent good factors contained in the handbook are based on the premise that these types of property lose value as they age.

When valuing property, it is necessary for appraisers to analyze individual property items for deviations from the norm. If such deviations exist, it is appropriate to adjust the valuation factors to reflect the deviation. However, arbitrarily establishing minimum valuation factors is not an acceptable appraisal practice. We recommend the assessor use the price index and percent good factors from AH 581 as intended, and discontinue using arbitrary minimum valuation factors.

## Computers

In order to promote uniformity, the BOE issued valuation factors for use when valuing computer equipment. In Letter To Assessors (LTA) No. 98/61, the BOE provided valuation factors for assessors to use when valuing non-production computers for the 1999 lien date. The valuation factors are provided for personal computers (\$25,000 or less), mid-range computers (\$25,000.01 to \$500,000), and mainframe computers (\$500,000.01 or more).

**RECOMMENDATION 21:** Assess computers using the BOE's recommended valuation factors.

We found that the assessor uses the BOE's recommended valuation factors for computers, but employs a minimum valuation factor of 5 percent for personal computers and a minimum valuation factor of 10 percent for mid-range and mainframe computers.

Application of the BOE's recommended factors yields a reasonable estimate of current market value of computers. Deviation from those factors, without proper support, is not appropriate. We recommend the assessor value all computers using the BOE's valuation factors and discontinue the use of a minimum valuation factor.

### ***Property Statement Processing***

Section 441 requires that every person owning taxable personal property, with an aggregate acquisition cost of \$100,000 or more for any assessment year, file a signed property statement with the assessor. Section 441 also provides that every person owning personal property shall, upon request of the assessor, file a property statement. That statement shall show a description of all taxable business personal property owned, claimed, possessed, controlled, or managed by the person filing it, in the detail required.<sup>8</sup>

The assessor processes approximately 2,800 business property statements each year. Our review found that, generally, property statements are properly processed. However, we found deficiencies in the assessor's acceptance of incomplete statements and filings with unauthorized signatures.

**RECOMMENDATION 22:** Ensure that business property statements contain authorized signatures, in accordance with Property Tax Rule 172.

Property Tax Rule 172 requires every BOE-prescribed property statement and mineral production report to be signed by the assessee, a partner, a duly appointed fiduciary, or an authorized agent. Statements filed on behalf of a corporate assessee must be signed by an officer, an employee, or an agent authorized by the board of directors to sign on behalf of the corporation. When a property statement is signed by an agent who is not a member of the bar, a certified public accountant, a public accountant, an enrolled agent, or a duly appointed fiduciary, the assessee's written authorization for that agent to sign the statement must be filed with the assessor.

Several of the property statements we reviewed were signed by someone other than a qualified or authorized person. Of these, none had the assessee's written authorization on file with the assessor. An unsigned property statement—or a property statement signed by an unauthorized agent—does not constitute a valid filing.

We recommend the assessor review business property statements to ensure they contain authorized signatures, rejecting those that do not.

**RECOMMENDATION 23:** Reject incomplete business property statements.

Section 445 requires a properly filed business property statement to include a description of all taxable property, in the detail required. The property statement consists of several sections and

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<sup>8</sup> Revenue and Taxation Code sections 442 and 445.

includes two schedules, Schedule A and Schedule B. Each part requests information necessary for a valid assessment.

We found several business property statements where Part I was not completed. Part I requests the street address and telephone number of the business, the type of business, and the name of a contact person, as well as change of ownership information, the location of accounting records, and whether the business has any related entities within that county. Information provided in Part I is necessary for an accurate appraisal. For example, if an assessee reports a change in ownership or control, it may affect the costs reported in Part II, or may indicate that a parcel of real property requires reappraisal.

We recommend that the assessor require assessees to complete all sections of the business property statement. An incomplete business property statement, together with a letter detailing the deficiency, should be returned to the assessee for proper completion.

### ***Valuation of Other Taxable Personal Property***

#### **Vessels**

For the 1999-2000 roll, the assessor assessed 982 vessels with a total assessed value of \$4,663,135. The primary sources of discovery are Department of Motor Vehicles reports, marina lists, referrals from other counties, and an annual field canvass. All vessels assessed in Amador County are pleasure boats.

**RECOMMENDATION 24:** Discontinue the practice of exempting vessels valued between \$400 and \$1,000.

The assessor revalues vessels every three years using the *BUC* and *NADA* valuation guides. Between those reviews, the assessor applies a fixed-percentage annual depreciation factor. However, we found that the assessor does not enroll the value for vessels worth \$1,000 or less.

Section 228 exempts from property taxation vessels used or held for noncommercial purposes with a market value of \$400 or less. The assessor may not exempt vessels valued above \$400 unless the board of supervisors has enacted a low-value property exemption. Amador County does not have such an exemption. The assessor's practice is therefore not authorized by law.

Since the assessor does not maintain a list of boats valued between \$400 and \$1,000, we were unable to determine the exact number of boats that are escaping assessment.

We recommend the assessor enroll all boats with a market value of more than \$400, unless the board of supervisors enacts a low-value property exemption.<sup>9</sup>

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<sup>9</sup> Revenue and Taxation Code section 155.20.



**RECOMMENDATION 25:** Include sales tax as a component of a vessel's value.

Although we found vessel values are properly based on those values listed in the *BUC* and/or *NADA* value guides, the assessor fails to add sales tax to the listed values when computing the assessed value.

Generally, when determining market value where cost is the basis of that value, sales or use tax, freight, and installation costs are elements of that value.<sup>10</sup> We recommend the assessor revise his appraisal procedures to include a sales tax component when determining the market value of vessels.

### General Aircraft

Assessors are required to annually assess aircraft at market value. Section 5363 requires county assessors to determine the market value of aircraft in accordance with standards and guides prescribed by the BOE. Upon request of the assessor of the county in which an aircraft is habitually based, the owner shall file a statement setting forth an aircraft's make, model, and year of manufacture.<sup>11</sup>

For the 1999-2000 assessment roll, the assessor enrolled 100 general aircraft with a total assessed value of \$4,755,870. The assessor exempted 30 aircraft under the historical aircraft exemption. There are no commercial aircraft located in Amador County. The assessor discovers aircraft from BOE reports, airport managers' reports, referrals from other counties, and field canvassing.

**RECOMMENDATION 26:** Use the *Vref Aircraft Value Reference* for aircraft not listed in the *Aircraft Bluebook Price Digest*.

LTA 97/03 advises county assessors to use the *Aircraft Bluebook Price Digest* as the primary guide for valuing general aircraft, with the *Vref Aircraft Value Reference* as an alternate for planes not listed in the *Aircraft Bluebook Price Digest*.

The assessor primarily uses a computerized version of the *Aircraft Bluebook Price Digest* to value aircraft. The assessor calculates the value of aircraft by reducing the value guide list price by 10 percent and making additional adjustments, as appropriate. Adjustments are made for engine hours, avionics, major damage, airframe hours, and general aircraft condition. We found that the assessor properly values aircraft using the *Aircraft Bluebook Price Digest*.

However, for aircraft not listed in the *Aircraft Bluebook Price Digest*, the assessor uses the *Trade-a-Plane* publication. We recommend the assessor use the *Vref Aircraft Value Reference* for aircraft not listed in the *Aircraft Bluebook Price Digest*.

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<sup>10</sup> *Xerox Corp. v. Orange County* (1977) 66 Cal.App.3d 746.

<sup>11</sup> Revenue and Taxation Code section 5365.

**RECOMMENDATION 27:** Deny late-filed historical aircraft exemption claims.

Section 220.5 provides that an aircraft of historical significance shall be exempt from taxation if (1) the aircraft is not held for resale, (2) the owner is an individual, (3) the aircraft is available for display to the public at least 12 days during the 12-month period immediately preceding the lien date of the year for which the exemption is claimed, and (4) the aircraft is not used for commercial purposes or general transportation.

We found that the assessor granted the exemption to eight aircraft whose owners had filed claims after February 15th. To be a valid, the claim for exemption must be filed by February 15th, at 5:00 p.m. We also found several instances where the exemption claim was not date-stamped. Date stamping all claims and retaining envelopes for claims received after February 15 would properly document the filing date.

We recommend that the assessor grant the historical aircraft exemption only to those owners who submitted timely claims.

**Manufactured Homes**

A manufactured home is subject to local property taxation if it was first sold new on or after July 1, 1980, or if the owner voluntarily requested conversion from vehicle license fee status to local property taxation. Health and Safety Code sections 18001.8 through 18613.2 define a manufactured home. The statutes prescribing the method of assessing manufactured homes are set forth in sections 5800 through 5842.

The assessor has enrolled approximately 560 manufactured homes, 537 of which were located in manufactured home parks.

We examined appraisal records of manufactured homes located both inside and outside of manufactured home parks, homes that had experienced a change in ownership, and homes that experienced new construction. The assessor properly considers values indicated by the National Automobile Dealer Association's *Manufactured Home Appraisal Guide (NADA Guide)* and Assessors' Handbook Section 531, *Residential Building Costs* (AH 531), when appraising manufactured homes. Values indicated by both of these sources are noted on the property appraisal records.

**RECOMMENDATION 28:** Classify manufactured homes as personal property.

We found that the assessor classifies manufactured homes as improvements, rather than as personal property. This practice incorrectly classifies manufactured homes for assessment purposes.

Section 5801(b)(2) requires classification of manufactured homes as personal property and enrollment on the secured roll. Proper classification is important because manufactured homes classified as personal property are exempt from property taxation when held for sale or lease by a

dealer (business inventory exemption), owned by military personnel on active duty in California who are legal residents of another state (Soldiers and Sailors Relief Act), owned by a bank, insurance, or financial corporation, or owned by a government agency. Also, unlike real property, personal property is not subject to special assessments. Improper classification may result in the levy of special assessments.

We recommend the assessor classify manufactured homes as personal property.

**RECOMMENDATION 29:** Annually assess manufactured homes at the lower of their factored base year value or current market value.

Section 5813 requires the assessment of manufactured homes at the lowest of their FBYV, full cash value, or disaster relief value following a disaster or calamity. Section 5803(b) requires the assessor to consider, among other relevant factors, sales prices listed in recognized value guides for manufactured homes. In most cases, we found that the assessor considers values indicated by the *NADA Guide* and AH 531 when determining the assessed value of a manufactured home, and that both values are sufficiently documented on the appraisal records.

We also reviewed the assessments of several manufactured homes that had not changed ownership or experienced new construction. For those homes, the assessor enrolled the FBYV without consideration of the manufactured homes' market values. Recognized value guides indicate that the market values of manufactured homes typically decrease over time. As a result, we recommend the assessor annually determine the market values of manufactured homes using a recognized value guide, and enroll the lower of their FBYV or market value.

## APPENDIX

### ***A: County Property Tax Division Survey Group***

#### ***Amador County***

***Chief, County Property Tax Division:***

Charles Knudsen

***Survey Program Director:***

Gene Palmer

Principal Property Appraiser

***Survey Team Supervisor:***

David Hendrick

Supervising Property Appraiser

***Survey Team Leader:***

Lisa Thompson

Supervising Property Appraiser

***Survey Team:***

Sally Boeck

Senior Specialist Property Appraiser

Wesley Hill

Associate Property Appraiser

Zella Cunningham

Associate Property Appraiser

Dale Peterson

Senior Specialist Property Auditor Appraiser

James Pardini

Assistant Property Auditor Appraiser

Kim Trotto

Tax Technician II

***B: Relevant Statutes and Regulations******Government Code*****15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

**15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

**Revenue and Taxation Code****75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
  - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
    - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
    - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
  - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.



***Title 18, California Code of Regulations*****Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
  - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
  - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

**Rule 371. Significant assessment problems.**

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
  - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
  - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
  - (1) Uniformity of treatment for all classes of property.
  - (2) Discovering and assessing newly constructed property.
  - (3) Discovering and assessing real property that has undergone a change in ownership.
  - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
  - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
  - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
  - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, if any, and BOE comments on the assessor's response, if any, constitute the final survey report.

The assessor's response begins on the next page. The BOE has no comments on the response.

## AMADOR COUNTY ASSESSOR

Raymond Olivarria, Assessor  
500 Argonaut Lane  
Jackson, California 95642  
Phone (209) 223-6351



February 8, 2001 **RECEIVED**

**FEB 09 2001**

Policy, Planning & Standards Div.  
State Board of Equalization

Richard C. Johnson, Deputy Director  
Property Taxes Department  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0064

Dear Mr. Johnson,

Enclosed is my response to the recommendations included in the SBE Assessment Practices Survey of Amador County, prepared pursuant to Section 15645 of the California Government Code.

I would like to thank the SBE staff for their courteous and professional manner in which this survey was conducted.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond Olivarria", followed by a horizontal line.

Raymond Olivarria  
Assessor, Amador County

## RESPONSES TO RECOMMENDATIONS

RECOMMENDATION 1: Enroll escape assessments in the manner prescribed by Section 533.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 2: Notify the auditor-controller when interest should be added to an escape assessment.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll. Standard procedures have been adopted which require that the proper section of the Revenue and Tax Code be indicated when an escaped assessment is being enrolled.

RECOMMENDATION 3: Notify disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170.

RESPONSE: Claimants for Disaster Relief are contacted by the Assessor's Office in person and the valuation is generally established at that time and the taxpayer advised of their appeal rights. Our policy will not change, but we will add to our procedures formal notice of their appeal rights.

RECOMMENDATION 4: Assess all low value properties, unless the Board of Supervisors authorizes a low-value property exemption.

RESPONSE: The Assessor's procedures manual was written to take into account practice and policy of other offices. The Amador Tax Collector has over the years adopted the policy of not billing under certain amounts under section 2611.4 of the Revenue and Taxation Code. As the Tax Collector changed his policy, the Assessor changed its practice, but not the procedures manual. However, we agree that according to the statutes, the Board of Supervisors should authorize low value property exemptions.

RECOMMENDATION 5: Develop and implement written procedures for discovering and appraising new construction.

RESPONSE: We concur with this recommendation and will increase our efforts to maintain and keep current written procedures.

RECOMMENDATION 6: Issue supplemental assessments for possessory interests on the secured roll.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 7: Consider tenant improvements in the appraisal unit when enrolling declines in value.

RESPONSE: Cooperation and coordination between the real property appraisers and the auditor-appraiser will be improved to include proper evaluation when there is a decline in market value.

RECOMMENDATION 8: Use a reasonable term of possession when estimating the value of a possessory interest.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 9: Revalue possessory interests at the end of the reasonably anticipated term of possession.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 10: Annually assess all possessory interests at the lower of current market value of factored base year value.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 11: Expand the discovery process for possessory interests to include fairground vendors/concessionaires.

RESPONSE: The Assessor will initiate contact with the Fair management in an effort to discover assessable possessory interest at the fairgrounds. An informal request for a vendors/concessionaires list has been made in the past and we discovered that most were charity groups and service organizations. However, we understand now that has changed, and we will officially request a vendors/concessionaires list and rents.

RECOMMENDATION 12: Enroll all taxable government owned property.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 13: Verify that vacant section 11 land is used exclusively for school purposes before granting the public schools exemption.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll. The land for which this claim was made was inaccessible at the time of the field inspection. The exemption was granted based on the statements made on their claims.

RECOMMENDATION 14: Send questionnaires to owners of TPZ lands to obtain information on compatible uses.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 15: Adjust CLCA market rents by an appropriate amount for income generated by irrigation improvements.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 16: Assess caretaker sites and farm labor housing at the non-restricted homesite value.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 17: Capitalize compatible use income in the manner specified for CLCA restricted properties.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 18: Assess wells on CLCA property as land.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 19: Develop and implement written procedures for the valuation and assessment of leasehold improvements

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 20: Use the BOE's recommended price index and percent good factors in AH 581 as intended.

RESPONSE: The Amador County Assessor's Office has joined with the other counties which are using the Business Assessment factors which were adopted by the California Assessor's Association as of 1/1/2000. These factors use the State Board AH 581 tables. The minimum percent good factor is the factor for an age when the equipment has reached 125% of its recommended life as suggested by AH 581.

RECOMMENDATION 21: Assess computers using the BOE's recommended valuation factors.

RESPONSE: Amador County is now strictly following the State Board recommended computer valuation factors with no minimum valuation being used.

RECOMMENDATION 22: Ensure that business property statements contain authorized signatures in accordance with Property Tax Rule 172.

RESPONSE: Amador County has occasionally accepted a few property statements of small business owners that are unsigned or that say "same as last year". To not accept them would not be cost-effective. Too much time would be spent upon explanations to an unnecessarily antagonized business owner, while there would be nothing to gain. Some sample audits have proven this true. When the business account is material, property statements are not accepted unless they are signed; additionally in the future, small business accounts will be put on a direct enrollment system.

RECOMMENDATION 23: Reject incomplete business property statements.

RESPONSE: Amador County does accept a few property statements of small business owners that are incomplete because the business community is so small that changes that occur are always discovered by other methods.

RECOMMENDATION 24: Discontinue the practice of exempting vessels valued between \$400 and \$1000.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 25: Include sales tax as a component of a vessel's value.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 26: Use the *VREF Aircraft Value Reference* for aircraft not listed in the *Aircraft Bluebook Price Digest*.

RESPONSE: There are only a few ultralights and 3 warplanes in Amador County for which values are not available in the *Aircraft Bluebook Digest*. *Trade-A-Plane* usually does have prices listed for these and is an adequate guide when used properly. The Assessor will only subscribe to VREF if it includes such aircraft in its publication.

RECOMMENDATION 27: Deny late-filed historical aircraft exemption forms.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 28: Classify manufactured homes as personal property.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.

RECOMMENDATION 29: Annually assess manufactured homes at the lower of their Factored base year value or current market value.

RESPONSE: We concur with the recommendation and it has been implemented on the 2000 Tax Roll.